

7/6/7

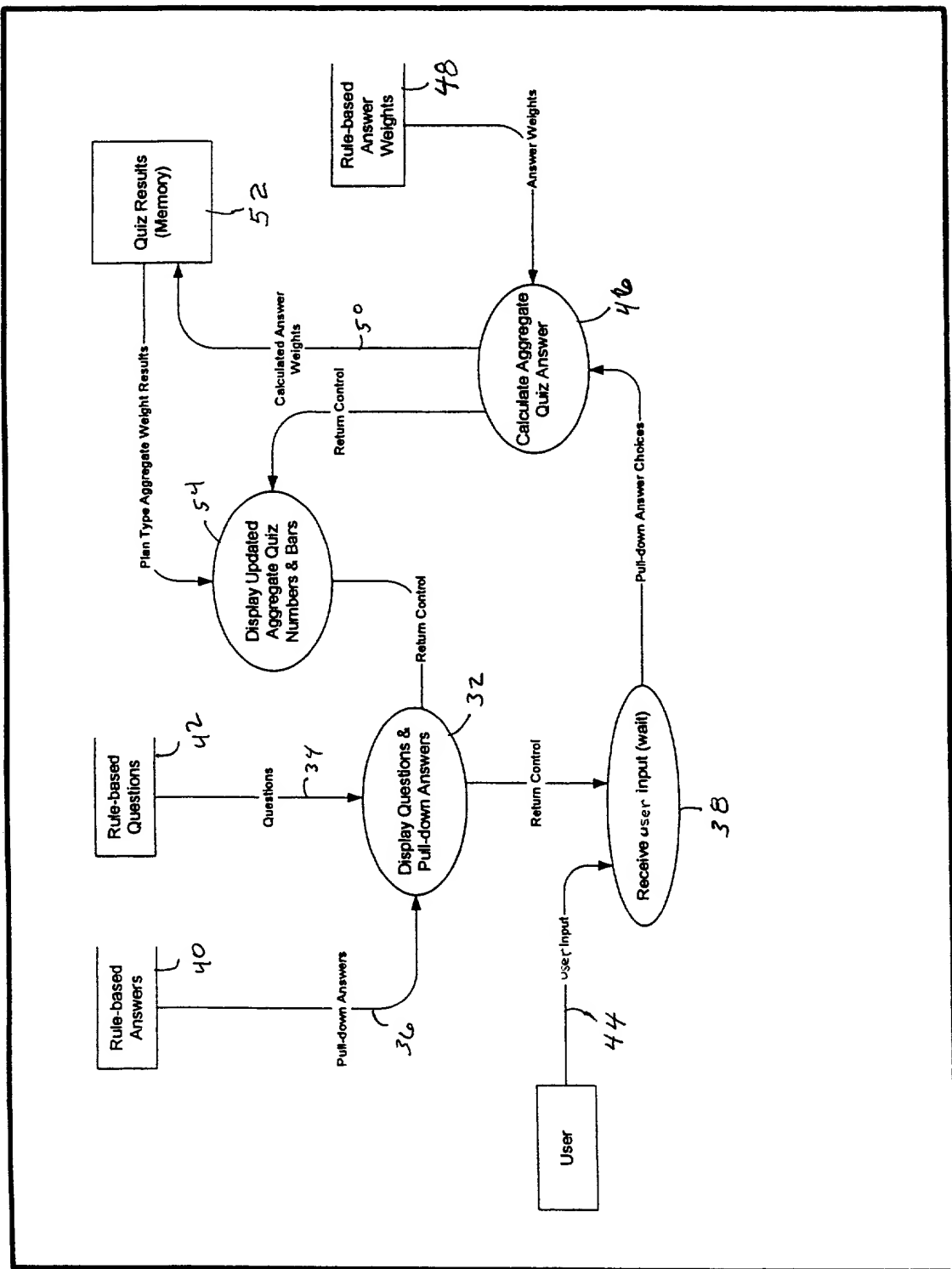


FIG. 2

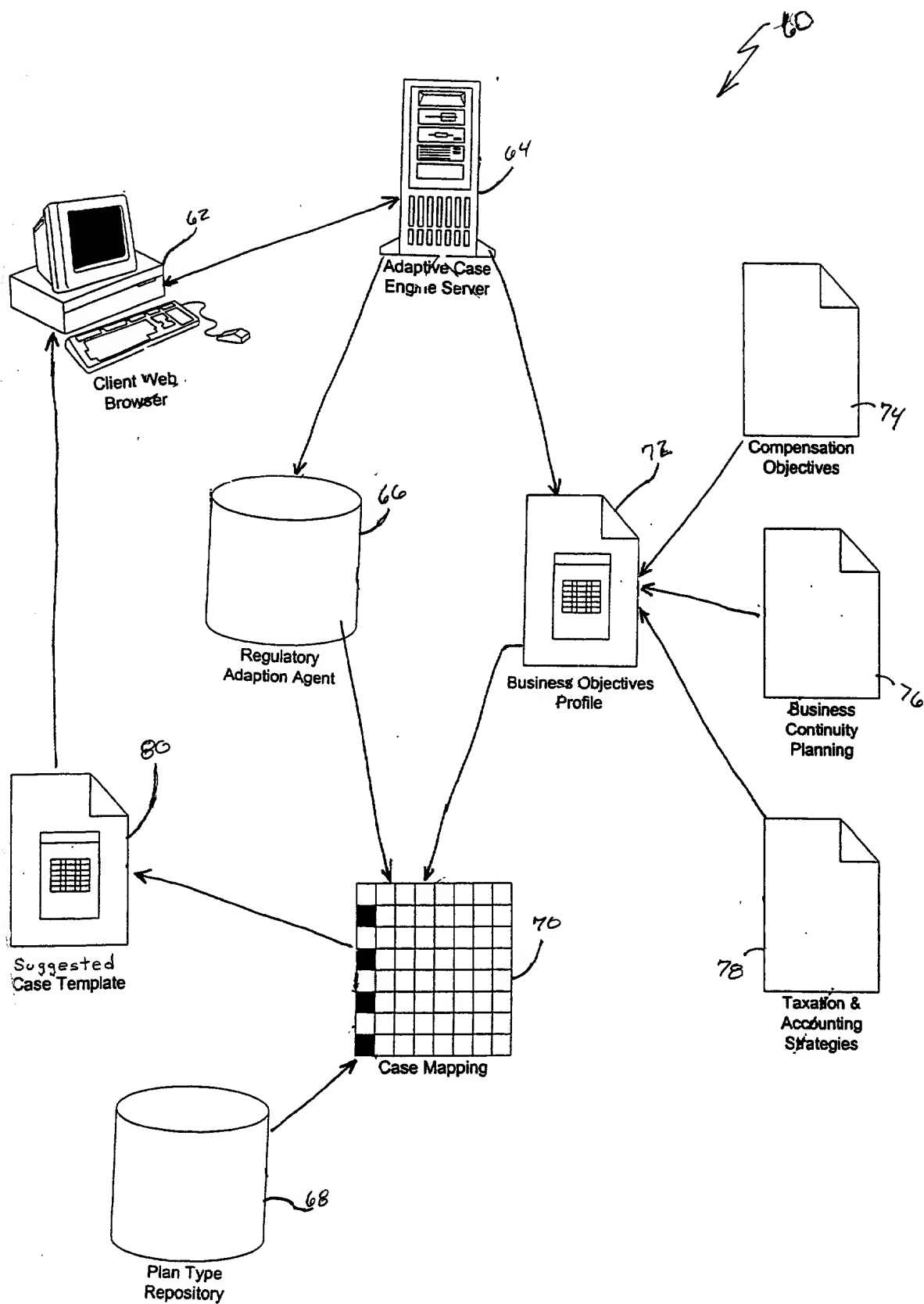


FIG. 3

90A

y	Critical to the company's success
n	One of several priorities
n	Advantageous when appropriate
n	Not a significant factor in the com

y Critical to the company's success
n One of several priorities
n Advantageous when appropriate
n Not a factor in the company's success

☐ Critical to the company's success
☐ One of several priorities
☐ Advantageous when appropriate
☐ Not a factor in the company's success

- n No one expresses concern about restrictions
- y Some key people express concern about retirement income.
- n There has been strong pressure for the company to find solutions.
- n They seem more concerned about personal after-tax investment strategy.

n They would enthusiastically utilize it.
y They would probably find it a valuable addition to their compensation.
n They would probably not consider it a valuable addition to their compensation.
n They would not take advantage of it.

- y Founder owns and manages.
- n Founder retired but still controls ownership.
- n Family ownership and key employee have moved to second generation.
- n Family ownership has become widely separated from key employee.

As a long term agreement between company and participant, nonqualified benefits plans are more attractive to key people where a concrete track record of corporate longevity can be demonstrated.

90B

- y Family ownership
- n Single owner
- n Multiple private shareholders
- n Public company

- n Completed review within past 12 months
- n Will review at current year-end
- y Will review at unscheduled future time
- n No formal continuity/succession plan

- ☐ Sole proprietorship
- ☐ C Corp
- ☐ S Corp
- ☐ Partnership
- ☐ Limited Liability Corporation
- ☐ Non-profit

n Under 10
y 10-49
n 50-100
n Above 100

n Under \$75,000
n \$75,000-100,000
y \$100,00-250,000
n Above \$250,000

n Under 35
n 35-45
y 45-55
n Above 55

Different demographic profiles of your potential plan participants affects both plan design and informal funding decisions.

[illegible]

Which phrase best characterizes your compensation position within your industry
13 and your geographic area?

- ☐ Extremely generous
- ☒ Competitive and fair
- ☐ Right in the middle
- ☐ Below average

While all four basic types of nonqualified plans have an impact on your compensation position, each alternative addresses the issue differently.

Which phrase best characterizes your fringe benefits position within your industry
14 and your geographic area?

- ☐ Extremely generous
- ☒ Competitive and fair
- ☐ Right in the middle
- ☐ Below average

If your company has already taken a definitive position in providing benefits to your entire employee population, your choice of a nonqualified benefits plan alternative may need to remain consistent with that position.

How harmful has key employee turnover been to your corporate goals in the past
15 five years?

- ☐ Key employee turnover has seriously affected the company's success.
- ☐ Key employee turnover has created many problems and gaps.
- ☒ Key employee turnover has not created many problems or gaps.
- ☐ Key employee turnover has not been an important factor in the company's success.

Turnover among key employees may be influenced by issues nonqualified benefits plans are designed to address, and therefore variations in turnover experience suggest different plan design directions.

How likely is it that your key employee group will expand significantly in the next
16 five years?

- ☐ Extremely likely to expand.
- ☒ Planned but unpredictable expansion.
- ☐ Not very likely to expand.
- ☐ Likely to be reduced.

While nonqualified benefits plans are inherently flexible and responsive to change, if growth can be projected reliably, then some plan designs will be more favorable.

Which statement best describes how competitive key employee recruiting can be
17 within your industry and within your geographic area?

- ☐ We work in an extremely competitive recruiting environment.
- ☐ Competition can be fierce under certain conditions.
- ☒ Competition is one manageable factor among many in recruiting.
- ☐ Competition has negligible effect on recruiting.

Recruiting highly trained management and technical people is often driven by long term compensation and benefits commitments from the company; therefore, in competitive situations some design alternatives will be more favorable.

How important is it that every compensation and benefit program be currently
18 deductible to the corporation?

- ☐ Not an important decision factor.
- ☒ Desirable but not necessary.
- ☐ Among the top decision factors.
- ☐ Absolutely important.

Nonqualified plans are based on taking advantage of one kind of tax advantage while trading off another, and therefore your company's tax strategies will affect how tax advantages for key people can be structured.

FIG. 4D

90D
↙

19 How important is it that a retirement benefit program have a vesting schedule?

- n Absolutely important.
- n Among the top decision factors.
- y Desirable but not necessary.
- n Not an important decision factor.

In some companies and some industries, the long-term commitment of key people is a strategic planning issue, and a vesting schedule can be either a critical or an unimportant factor in the choice of plans.

How important is it that a retirement benefit program permit participant asset allocation?

20

- n Absolutely important.
- n Among the top decision factors.
- y Desirable but not necessary.
- n Not an important decision factor.

There is a wide spectrum of control over investment strategy available among the basic plan designs, and whether your key people want a more active role or are content to let the company make these decisions with its advisors plays an important part in plan design.

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FIG. 5A

Scoring				Total Weighting				Question Weights (1-5)				Answer Weights			
Def	Comp	DC	DB	Def	Comp	DC	DB	Def	Comp	DC	DB	Def	Comp	DC	DB
Comp	Match	SERP	SERP	Comp	Match	SERP	SERP	Comp	Match	SERP	SERP	Comp	Match	SERP	SERP
16	16	16	16	16	16	16	16	4	4	4	4	4	4	4	4
0	0	0	0	8	8	8	8	2	2	2	2	2	2	2	2
0	0	0	0	4	4	4	4	1	1	1	1	1	1	1	1
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	12	9	0	0	12	9	3	3	4	3	0	0	4	3
0	0	0	0	0	0	6	3	0	0	2	1	0	0	2	1
0	0	0	0	0	0	3	9	0	0	1	3	0	0	1	3
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	6	9	12	0	6	9	12	3	3	2	4	0	2	3	4
0	0	0	0	0	3	6	9	0	1	1	3	0	1	2	3
0	0	0	0	0	3	6	6	0	0	1	2	0	1	2	2
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	4	8	0	0	0	0	0	0
4	8	0	0	4	8	0	0	8	12	0	0	1	2	0	0
0	0	0	0	8	12	0	0	2	3	0	0	2	3	0	0
0	0	0	0	12	16	0	0	3	4	0	0	3	4	0	0
0	0	0	0	20	20	0	0	4	4	0	0	0	0	0	0
10	10	0	0	10	10	0	0	2	2	0	0	2	2	0	0
0	0	0	0	5	5	0	0	1	1	0	0	1	1	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1
0	0	0	0	4	4	4	4	2	2	2	2	2	2	2	2
0	0	0	0	8	8	8	8	4	4	4	4	4	4	4	4
0	0	0	0	6	6	6	6	3	3	3	3	3	3	3	3

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[illegible]

98B

100B

Scoring	94 B				Total Weighting	5				Question Weights (1-5)	5			
	Def Comp	Def Comp Match	DC SERP	DB SERP		Def Comp	Def Comp Match	DC SERP	DB SERP		Answer Weights	Def Comp	Def Comp Match	DC SERP
7	4	4	4	4	4	4	4	4	4	2	2	2	2	2
	0	0	0	0	2	2	2	2	2		1	1	1	1
	0	0	0	0	6	6	6	6	6		3	3	3	3
	0	0	0	0	8	8	8	8	8		4	4	4	4
8	0	0	0	0	8	8	6	6	6	2	4	4	3	3
	0	0	0	0	4	4	2	2	2		2	2	1	1
	-4	-4	0	0	-4	-4	0	0	0		-2	-2	0	0
	0	0	0	0	-8	-8	-6	-6	-6		-4	-4	-3	-3
9	0	0	0	0	2	2	2	2	2	2	1	1	1	1
	8	8	8	8	8	8	8	8	8		4	4	4	4
	0	0	0	0	6	6	6	6	6		3	3	3	3
	0	0	0	0	4	4	4	4	4		2	2	2	2
	0	0	0	0	4	4	4	4	4		2	2	2	2
	0	0	0	0	0	0	2	2	2		0	0	1	1
10	0	0	0	0	3	4	2	1	1	1	3	4	2	1
	3	4	2	1	3	4	2	1	1		3	4	2	1
	0	0	0	0	3	4	2	1	1		3	4	2	1
	0	0	0	0	3	4	2	1	1		3	4	2	1
11	0	0	0	0	0	0	3	3	3	3	0	0	1	1
	0	0	0	0	0	0	6	6	6		0	0	2	2
	9	9	9	9	9	9	9	9	9		3	3	3	3
	0	0	0	0	12	12	12	12	12		4	4	4	4
12	0	0	0	0	6	6	9	0	0	3	2	2	3	0
	0	0	0	0	6	9	9	3	3		2	3	3	1
	9	12	9	9	9	12	9	9	9		3	4	3	3
	0	0	0	0	6	9	9	12	12		2	3	3	3

FIG. 5C

Scoring					Total Weighting				Question Weights (1-5)	Answer Weights			
Def Comp	Def Comp	DC SERP	DB SERP		Def Comp	Def Comp	DC SERP	DB SERP		Def Comp	Def Comp	DC SERP	DB SERP
94C					100C				96C	98C			
13									2				
0	0	0	0	0	8	8	8	8		4	4	4	4
4	4	4	4	4	4	4	4	4		2	2	2	2
0	0	0	0	0	2	2	2	2		1	1	1	1
0	0	0	0	0	2	4	6	6		1	2	3	3
14									2				
0	0	0	0	0	8	8	8	8		4	4	4	4
4	4	4	4	4	4	4	4	4		2	2	2	2
0	0	0	0	0	2	2	2	2		1	1	1	1
0	0	0	0	0	2	4	6	6		1	2	3	3
15									5				
0	0	0	0	0	20	20	20	20		4	4	4	4
0	0	0	0	0	10	10	10	10		2	2	2	2
5	5	5	5	5	5	5	5	5		1	1	1	1
0	0	0	0	0	0	0	0	0		0	0	0	0
16									3				
0	0	0	0	0	12	12	12	9		4	4	4	3
9	9	9	9	9	9	9	9	9		3	3	3	3
0	0	0	0	0	6	6	9	9		2	2	3	3
0	0	0	0	0	3	3	9	9		1	1	3	3
17									3				
0	0	0	0	0	12	12	12	12		4	4	4	4
0	0	0	0	0	9	9	9	9		3	3	3	3
6	6	9	9	9	6	6	9	9		2	2	3	3
0	0	0	0	0	3	3	9	9		1	1	3	3
18									2				
0	0	0	0	0	8	8	8	8		4	4	4	4
6	6	6	6	6	6	6	6	6		3	3	3	3
0	0	0	0	0	4	4	4	4		2	2	2	2
0	0	0	0	0	2	2	2	2		1	1	1	1

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FIG. 5D

Scoring					Total Weighting					Question Weights (1-5)				
Def	Def	DC	DB		Def	Def	DC	DB		Def	Def	DC	DB	
Comp	Comp	SERP	SERP		Comp	Match	SERP	SERP		Comp	Match	SERP	SERP	
19										3				
0	0	0	0		0	12	12	12		0	4	4	4	
0	0	0	0		0	9	9	9		0	3	3	3	
0	6	6	6		0	6	6	6		0	2	2	2	
0	0	0	0		0	3	3	3		0	1	1	1	
20										3				
0	0	0	0		12	12	12	0		4	4	4	0	
0	0	0	0		9	9	9	0		3	3	3	0	
6	6	6	0		6	6	6	0		2	2	2	0	
0	0	0	0		3	3	3	0		1	1	1	0	
Total Score:														
101	121	120	113											

100E40" 2254360

FIG. 6 A

Purpose

592 A
↓

- 1 Alignment is a very significant (4) issue, most relevant to DC plans issue, and more relevant the greater the degree of participant contribution.
- 2 Annual company provided rewards is a moderately important (3) issue, relevant to DC or DB SERP plans, and has no relevance to participant
- 3 Long-term company provided rewards is a moderately important (3) issue, relevant to DC or DB SERP plans, and has minimal relevance to
- 4 Limitations to 401(k) is a very significant (4) issue and relevant to participant contributions.
- 5 Supplemental 401(k) participation is a most significant (5) issue and relevant to participant contributions.
- 6 Corporate legacy is a less significant (2) issue but has relevance to how all plans are communicated to participants.

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Purpose

92B

- 7 Corporate legacy is a less significant (2) issue but has relevance to how all plans are communicated to participants.
- 8 Corporate planning is a less significant (2) issue but can impact participant confidence and participation in participant contribution plans.
- 9 Legal structure is a less significant (2) issue but can impact delivery on some plans.
- 10 Participant size is a least significant (1) issue but can impact underwriting and management of life insurance contracts.
- 11 Compensation is of medium significance (3) but can impact participation in participant contribution plans.
- 12 Age is of medium significance (3) but can impact participation in defined benefit plans.

[illegible]

92C

- | | |
|----|---|
| 13 | Compensation position is a less significant (2) issue but can impact how different types of plans are perceived by the participants. |
| 14 | Fringe benefits position is a less significant (2) issue but can impact how different types of plans are perceived by the participants. |
| 15 | Turnover is a most significant (5) issue and all supplemental benefits can reduce turnover. |
| 16 | Turnover is a most significant (5) issue and all supplemental benefits can reduce turnover. |
| 17 | Recruiting is of medium significance (3) and all supplemental benefit can enhance recruitment. |
| 18 | Deductibility is a less significant (2) issue but gives insight into how the company makes financial decisions. |

[illegible]

FIG. 6D

Purpose

92D

19 Vesting is of medium significance (3) but gives insight into how the company views "handcuff" periods.

20 Asset allocation is of medium significance (3) but gives insight into how the company views participant control.

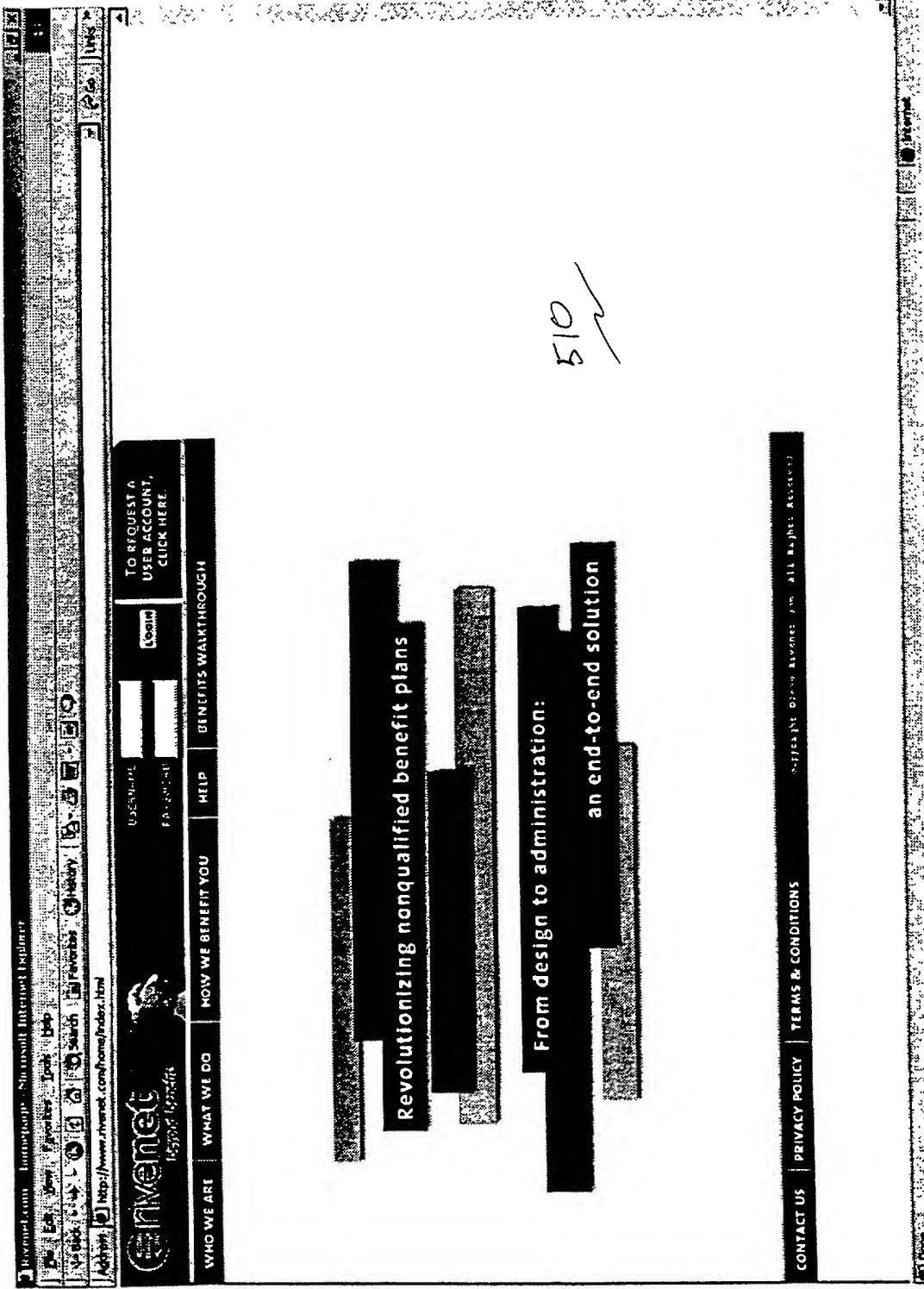


FIG. 7A

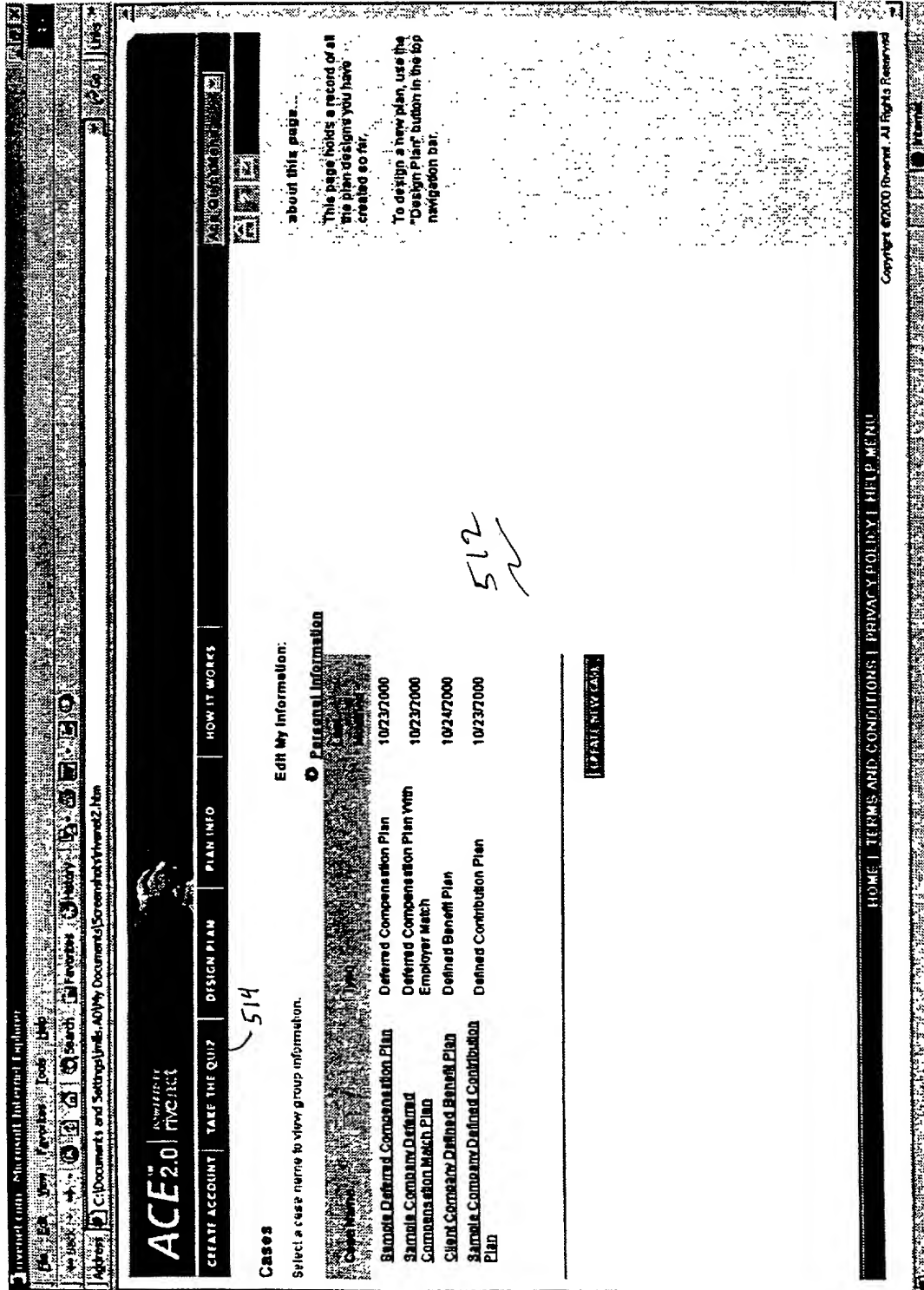


FIG. 7B

Nonqualified Benefits Quiz - Microsoft Internet Explorer

Which plan is best for you?

ENTITLEMENT	EMPOWERMENT	MOTIVATION	INCENTIVE
Defined Benefit	Deferred Compensation	Deferred Compensation Match	Defined Contribution

The following 20 questions will help you determine where your corporate objectives fit on the compensation spectrum. This may prove useful when determining the types of nonqualified benefit plans that make sense for you.

Take the quiz now.

Close window.

518
520
516

Done
Internet

FIG. 7C

Nonqualified Benefits Quiz - Microsoft Internet Explorer

Questions 1-3

How important is it to align the personal financial goals of your key people to your company's financial goals?

Critical to the company

How important is it to tie rewards directly to employees' long-term commitment?

Critical to the company

Which of the following best describes the single most important employee quality you want to reward?

Results

NEXT

Done

Internet

FIG. 7D

2) Nonqualified Benefits Quiz - Microsoft Internet Explorer

Questions 4-8

Which statement best describes your key people's reaction to restrictions on contributions to your 401(k) plan?

No one expresses concern about restrictions

How would your key people react to a nonqualified retirement benefit plan that increases their pretax savings and company contribution potential, but has fewer of the financial guarantees of a qualified 401(k)?

They would enthusiastically utilize it.

If your business is family owned, what stage of development has been reached?

Not applicable

534

NEXT

540

Entitlement: 12
(Defined Benefit Plan)

Empowerment: 12
(Deferred Compensation Plan)

Motivation: 30
(Deferred Compensation Plan With Employer Match)

Incentive: 48
(Defined Contribution Plan)

538

Done

Internet

FIG. 7E

Nonqualified Benefits Quiz - Microsoft Internet Explorer

Questions 7-9

If control and management of the business has moved beyond the founder generation, how is ownership structured?

Not applicable

What is your timeframe for reviewing the company's continuity and succession plan?

Completed review within past 12 months

What is the legal structure of your company?

Sole proprietorship

Entitlement: 12
(Defined Benefit Plan)

Empowerment: 32
(Deferred Compensation Plan)

Motivation: 50
(Deferred Compensation Plan With Employer Match)

Incentive: 48
(Defined Contribution Plan)

534 540 530

Done

FIG. 7F

Nonqualified Benefits Quiz - Microsoft Internet Explorer

Questions 10-12

How many people in your company would you classify as key employees?

Under 10

Which range of salaries encompasses the largest number of your key people?

Under \$75,000

What age range encompasses the largest number of your key people?

Under 35

Entitlement: 20
(Defined Benefit Plan)

Empowerment: 44
(Deferred Compensation Plan)

Motivation: 62
(Deferred Compensation Plan With Employer Match)

Incentive: 57
(Defined Contribution Plan)

534

540

536

538

Done

FIG. 7G

Unqualified Benefits Quiz - Microsoft Internet Explorer

Questions 13-15

How would you characterize your compensation position within your industry and geographic area?

☐ Extremely generous

Which phrase best characterizes your fringe benefits position within your industry and your geographic area?

☐ Extremely generous

How harmful has key employee turnover been to your corporate goals in the past five years?

☐ Key employee turnover has seriously affected the company's success.

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536

538

540

Entitlement: 24
(Defined Benefit Plan)

Empowerment: 53
(Deferred Compensation Plan)

Motivation: 72
(Deferred Compensation Plan With Employer Match)

Incentive: 71
(Defined Contribution Plan)

Done

FIG. 7H

Nonqualified Benefits Quiz - Microsoft Internet Explorer

Questions 18-18

How likely is it that your key employee group will expand significantly in the next five years?

Extremely likely to expand. []

How would you characterize competition in recruiting key employees within your industry and geographic area?

We work in an extremely competitive recruiting environment. []

How important is it that every compensation and benefit program be currently deductible to the corporation?

Not an important decision factor. []

Next

Entitlement: 80
(Defined Benefit Plan)

Empowerment: 83
(Deferred Compensation Plan)

Motivation: 112
(Deferred Compensation Plan With Employer Match)

Incentive: 107
(Defined Contribution Plan)

Done Internet

FIG. 7I

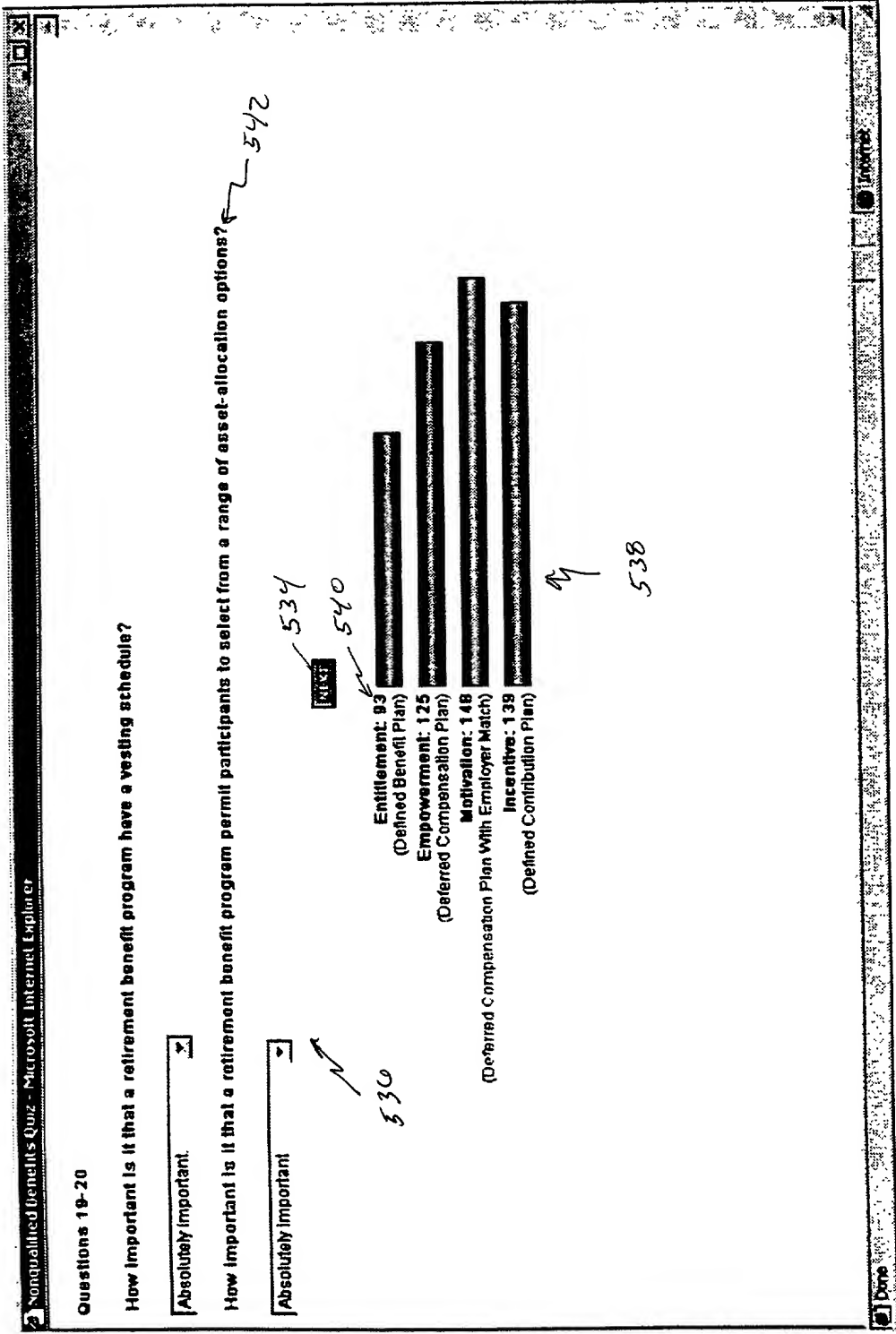


FIG. 7J

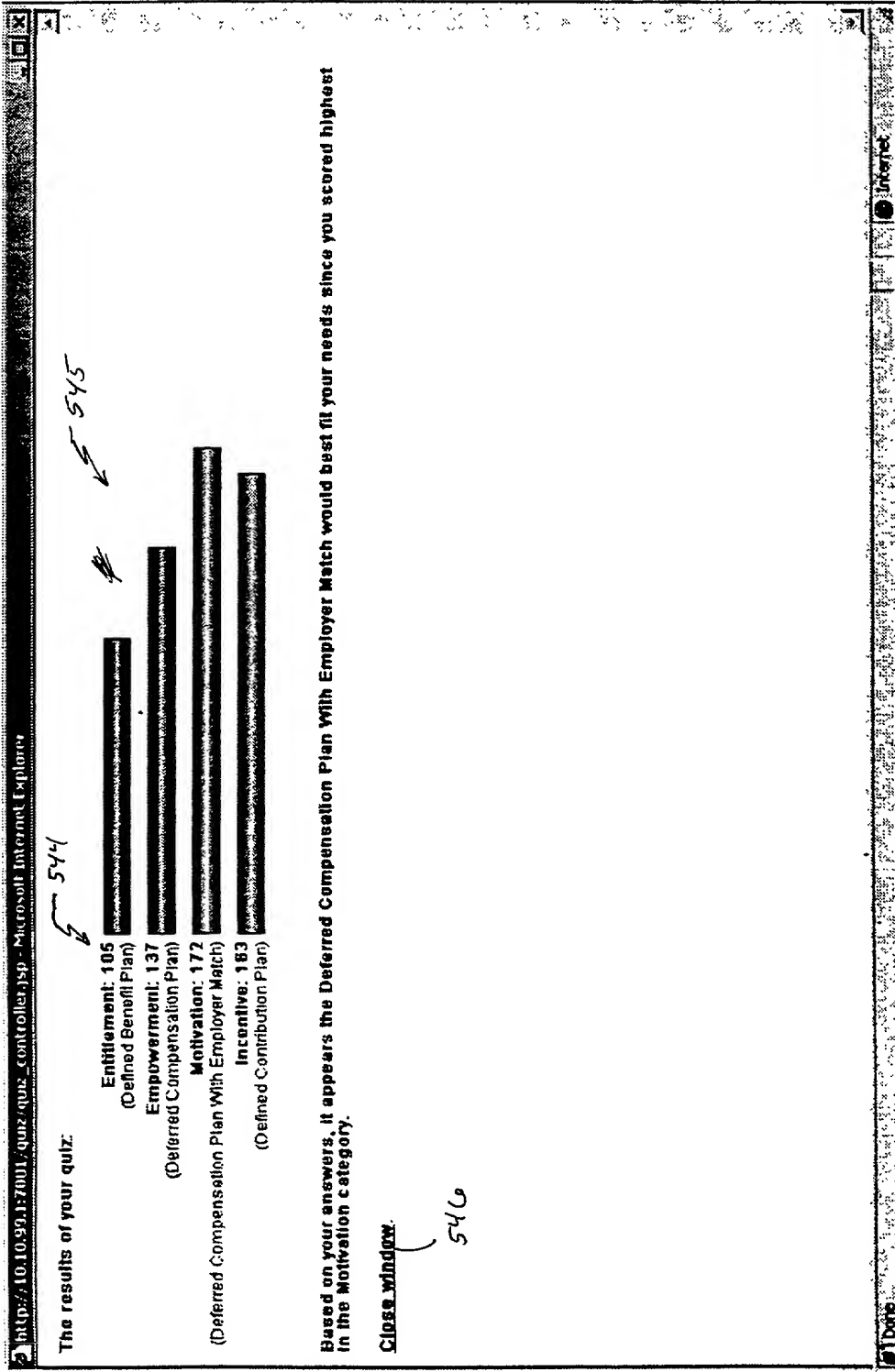


FIG. 7K